

Message Text

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TRSE-00 AID-20 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

RSR-01 OPIC-12 /158 W

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R 042235 Z MAY 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5345

INFO AMEMBASSY MEXICO

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 2857

E. O. 11652: GDS

TAGS: EFIS, PE

SUBJ: NATIONALIZATION OF FISHMEAL INDUSTRY RUMORED

SUMMARY: FOR PAST TEN DAYS PERSISTENT RUMORS HAVE CIRCULATED IN BUSINESS COMMUNITY THAT GOP WILL NATIONALIZE FISHING INDUSTRY. ORIGINAL ACCOUNTS, SOME FROM VERY RESPONSIBLE SOURCES, WERE THAT NATIONALIZATION WAS ALREADY ACCOMPLISHED FACT AND THAT GOP SOLELY AWAITING APPROPRIATE TIME TO MAKE FORMAL ANNOUNCEMENT. LATER REPORTS ARE THAT MEASURE, WHICH ALLEGEDLY PROMOTED BY MINFISH

TANTALEAN, IS MEETING RESISTANCE FROM SOME OTHER MINISTERS. WHILE U. S. FIRMS APPEAR TO BE CONTEMPLATING FUTURE WITH RESIGNATION, IF NOT FATALISM, THEY ARE CONCERNED ABOUT COMPENSATION ASPECT. END SUMMARY.

1. SINCE MID- APRIL FISHING INDUSTRY SOURCES HAVE ALMOST WITHOUT EXCEPTION BEEN PREDICTING THE IMMINENT NATIONALIZATION OF THE FISHMEAL INDUSTRY. DECREE LAW WAS, IN FACT, ALREADY SAID TO HAVE BEEN APPROVED AND GOP WAS AWAITING APPROPRIATE TIME, SUCH AS MAY 1, TO MAKE ANNOUNCEMENT. HOWEVER, MINFISH TANTALEAN IS
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NOW REPORTED TO HAVE TOLD PRESIDENT AND OTHER MEMBERS OF NATIONAL FISHING SOCIETY THAT MEASURE IS ONLY UNDER CONSIDERATION, BUT HAS NOT YET BEEN APPROVED BY COUNCIL OF MINISTERS. MANAGERS OF SEVERAL PRINCIPAL FIRMS HAVE BEEN TOLD THAT JUSTIFICATION FOR ACTION WOULD BE: (1) CRITICAL CURRENT SITUATION AND POOR PROSPECTS FOR THE INDUSTRY; (2) HEAVY INDEPTEDNESS OF THE INDUSTRY TO STATE, STATE- ASSOCIATED AND PRIVATE BANKS; AND (3) VITAL POSITION OF THE INDUSTRY IN PERUVIAN ECONOMY. COUNCIL OF MINISTERS IS AGAIN SCHEDULED TO DISCUSS QUESTION MAY 7, IT IS REPORTED, AND SOME INDUSTRY SOURCES ARE NOW BEGINNING TO BELIEVE NATIONALIZATION MAY NEVER TAKE PLACE.

2. RUMOR IS THAT COUNCIL OF MINISTERS IS DIVIDED ON ISSUE. PRINCIPAL STORIES ARE: (1) SEVERAL MINISTERS ARE SAID TO BE OPPOSED TO TAKEOVER, INCLUDING MINECON AND FINANCE MORALES BERMUDEZ AND NAVYMIN VARGAS; (2) NATIONALIZATION IS BRAINCHILD OF MINFISH TANTALEAN WHO, IT IS SAID, IS ATTEMPTING TO BUTTRESS HIS POSITION IN THE EVENT GOVERNMENT POWER- STRUGGLE OCCURS. HEARSAY HAS IT THAT HE FEELS HE WOULD OTHERWISE BE VULNERABLE WERE SO- CALLED MODERATES EVENTUALLY TO PREVAIL.

3. NATIONALIZATION MIGHT, ODDLY ENOUGH, NOT BE UNWELCOME TO SOME SECTORS OF THE INDUSTRY. A FEW OF THE LARGER AND MANY OF SMALLER PERUVIAN COMPANIES HAVE REPORTEDLY TACITLY SUPPORTED MOVE SINCE THEY HAVE LOW FISHMEAL STOCKS ON HAND, ARE HEAVILY IN DEBT, HAVE NO PROSPECT OF RESUMING FISHING FOR AT LEAST SIX MONTHS OR PERHAPS LONGER, AND IN MEANTIME ARE CONTINUING TO PILE UP MORE DEBT FOR OVERHEAD AND LABOR COSTS. THEY VIEW NATIONALIZATION AS WAY TO CUT THEIR LOSSES, HOPING TO EMPLOY WHATEVER COMPENSATION THEY RECEIVE IN MORE PROFITABLE MANNER. (U. S. FISHING FIRMS HAVE FEWER DEBTS AND ARE IN RELATIVELY SOUNDER POSITION.)

4. IN EVENT NATIONALIZATION OCCURS, TWO QUESTIONS OF GREATEST SIGNIFICANCE TO INDUSTRY ARE FORM OF COMPENSATION AND SYSTEM GOP WOULD EMPLOY TO EVALUATE INDUSTRY ASSETS. MOST PREVALENT OF MANY CONFLICTING ACCOUNTS REPORTED TO EMBOFFS CONCERNING COMPENSATION ARE: (1) GOP ALLEGEDLY CONSIDERING 15 PERCENT CASH AND REMAINDER IN 20- YEAR FISHING BONDS FOR PERUVIAN FIRMS; (2) FOR FOREIGN COMPANIES, IT IS SAID THAT PAYMENT WOULD BE 15 PERCENT CASH (DOLLARS) AND REST TO BE DISBURSED IN DOLLARS OVER SIX YEARS, AFTER TWO- YEAR HIATUS; (3) BONDS ALLEGEDLY TO BE RECEIVED BY CONFIDENTIAL

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PERUVIAN COMPANIES WOULD BE HONORED FOR INVESTMENT IN DOMESTIC ENTERPRISES AT 60 PERCENT OF VALUE.

5. NO INFORMATION YET AVAILABLE ON SYSTEM GOP MIGHT USE TO APPRAISE INDUSTRY ASSETS. PARTICULARLY CRUCIAL IS QUESTION OF VALUE OF FISHMEAL INVENTORIES. VALUE OF STOCKS CALCULATED ON THE

BASIS OF AN AVERAGE OF INTERNATIONAL AND DOMESTIC MARKET PRICES, LESS TAXES, IS ROUGHLY ESTIMATED AT \$300-\$320 PER METRIC TON. COST PRICE IS ABOUT \$100 PER METRIC TON. FOR MANY FIRMS, FAVORABLE ASSESSMENT OF FISHMEAL STOCKS WOULD INCREASE ASSETS SUBSTANTIALLY (DOUBLE IN SOME CASES) AND THEREFORE PUT BALANCE SHEETS FIRMLY IN BLACK, WITH HOPE OF SALVAGING CONSIDERABLE COMPENSATION. HOWEVER, INDUSTRY SOURCES PESSIMISTIC AND EXPECT APPRAISALS WOULD BE BASED ON COST PRICES.

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6. VALUE OF ASSETS (EXCLUDING FISHMEAL INVENTORIES) OF U. S. INVESTMENTS IN FISHMEAL INDUSTRY ESTIMATED \$35-\$40 MILLION; DEBTS TO LOCAL BANKS RECKONED AT \$12 MILLION PLUS. FISHMEAL STOCKS OF U. S. FIRMS AND ONE LOCAL FIRM WITH SIGNIFICANT U. S. INTEREST (48 PERCENT) ESTIMATED AT 75,000 METRIC TONS PLUS. PRODUCTION OF FISHMEAL BY U. S. INVESTMENTS IN 1971 (LATEST FIGURE AVAILABLE) REPRESENTED 17.3 PERCENT OF TOTAL PERUVIAN PRODUCTION.

7. INDUSTRY SOURCES INDICATE NATIONALIZATION WOULD NOT AFFECT FOOD FISHING AND CANNING INDUSTRY.
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